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## Houston's budget gap could widen after House approves bill to cut cable TV fees

By Jasper Scherer

The Texas House on Thursday approved legislation that would limit fees telecommunication and cable companies pay cities to use their rights of way, likely opening up a new spending gap of at least \$12 million two days after Mayor Sylvester Turner laid out his proposed budget for the upcoming fiscal year.

Senate Bill 1152, authored by state Sen. Kelly Hancock, R-North Richland Hills, [passed](#) the House on a 92-50 vote on the third and final reading Thursday. The legislation, which had received Senate approval early last month, heads back to the upper chamber, where lawmakers will decide whether to approve the House version.

The measure would eliminate what cable companies and some lawmakers say is an outdated double tax levied on companies that transmit cable and phone services over the same lines. The bill would eliminate the lesser of the two charges, starting next January.

Opponents say the bill amounts to a gift for large telecom firms, which would not be required to pass the savings on to consumers because the state is barred from regulating cable rates. Turner had [urged lawmakers](#) to oppose the measure, saying it would deliver a financial hit to Houston.

Those who back the bill say companies still would pay millions for the remaining charge, arguing that cities would lose only a small portion of their revenue. The House companion bill's author, state Rep. Dade Phelan, noted Wednesday that only one other state — Oregon — still charges both fees.

Turner blasted lawmakers in a statement Thursday, accusing them of attempting to “unconstitutionally take the value of Houston's right-of-way” through the bill. He also lauded state Rep. Harold Dutton, D-Houston, for attempting to stop the legislation through a procedural maneuver.

“Members of City Council joined me in warning legislators the effect this bill would have on Houston's budget,” Turner said. “Houstonians will feel the consequences of this, through a reduction of millions of dollars in revenue. ... Unfortunately, this is another over-reach of the state that limits local control and works to the detriment of the city's ability to serve its citizens.”

Later Thursday, a spokesperson said the mayor still was working out how the city would address new budget gap if the bill becomes law.

Bill Kelly, the city's director of government relations, said in [a tweet](#) late Wednesday that the bill likely would cause many city employees to be laid off, "nowhere more so than Houston," suggesting that more layoffs could occur.

Turner on Tuesday [released his budget proposal](#) for the 2020 fiscal year, in which the city would close a \$179 million budget shortfall by drawing from its reserves, eliminating vacant positions and laying off about 300 firefighters, fire cadets and municipal employees.

As part of the proposal, Turner's administration estimated the city would take in \$34.7 million in telephone franchise fees and \$19.1 million under the cable franchise tax. During a city budget committee meeting Wednesday, city Finance Director Tantri Emo confirmed the administration's estimates did not factor in the potential loss of revenue if the bill passed.

By pulling from its reserves, the city would see its general fund balance drop to about \$171 million, under Turner's budget proposal. The total represents about 7.9 percent of the city's general fund budget, minus debt service payments. City policy requires the fund balance to remain at 7.5 percent of the budget, putting the balance about \$9 million above the threshold.

A Legislative Budget Board analysis determined that Houston would take in \$17.1 million to \$27.5 million less revenue under the bill. Estimates for other cities include \$9.2 million in Dallas, \$7.9 million in San Antonio and \$6.3 million in Austin.

An updated estimate provided by the city Thursday projected it would receive \$12.6 million to \$24.4 million less revenue during the 2020 fiscal year, which begins July 1.

Last month, the city [ended its relationship](#) with lobbying firm HillCo Partners after learning that it also represents cable and telecom companies that were pushing for the legislation.

When the bill came to the floor Wednesday, a few House members pressed Phelan, R-Beaumont, to explain what would compel companies to pass the savings on to consumers, instead of pocketing the money themselves. Phelan said that among the cable providers he has spoken with, more than 90 percent itemize fees on customers' cable bills, which could prevent them from hiding the savings and keeping fees the same.

State Rep. Ramon Romero, D-Fort Worth, told Phelan that customers "should expect to see a line item removed because that fee will no longer be there."

"Correct," Phelan said. "That is the intent of this legislation. I wouldn't bring it otherwise."

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